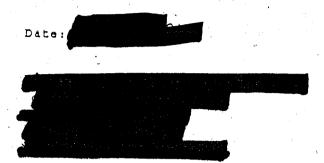
Internal Revenue Service
Director, Exempt Organizations
Rulings and Agreements



Department of the Treasury P.O. Box 2508 - TE/OE Cincinnati, OR 45201

Employer Identification Number:

Person to Contact - I.D. Number:

Contact Telephone Numbers: Phone FAX

Dear Sir or Madam:

We have considered your application for recognition of exemption from Federal income tax under the provisions of sections 501(c)(3) and 501(c)(6) of the Internal Revenue Code of 1986 and its applicable Income Tax Regulations. Based on the available information, we have determined that you do not qualify for the reasons set forth on Enclosure I.

Consideration was given to whether you qualify for exemption under other subsections of section 501(c) of the Code. However, we have concluded that you do not qualify under another subsection.

As your organization has not established exemption from Federal income tax, it will be necessary for you to file an annual income tax return, on Form 1041 if you are a Trust, or Form 1120 if you are a corporation or an unincorporated association. Contributions to you are not deductible under section 170 of the Code.

If you are in agreement with our proposed denial, please sign and return of a copy of the enclosed Form 6018, Consent to Proposed Adverse Action.

You have the right to protest this proposed determination if you believe it is incorrect. To protest, you should submit a written appeal giving the facts, law and other information to support your position as explained in the enclosed Publication 892, "Exempt Organizations Appeal Procedures for Unagreed Issues." The appeal must be submitted within 30 days from the date of this letter and must be signed by one of your principal officers. You may request a hearing with a member of the Office of the Regional Director of Appeals when you file your appeal. If a hearing is requested, you will be contacted to arrange a date for it. The hearing may be held at the Regional Office or, if you request, at any mutually convenient District Office. If you are to be represented by someone who is not one of your principal officers, he or she must file a proper power of attorney and otherwise qualify under our Conference and Practice Requirements as set forth in Section 601.502 of the Statement of Procedural Rules. See Treasury Department Circular No. 230.

If you do not protest this proposed determination in a timely manner, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies. Section 7428(b)(2) of the Internal Revenue Code provides, in part, that:

A declaratory judgement or decree under this section shall not be issued in any proceeding unless the Tax Court, the Claims Court, or the district court of the United States for the District of Columbia determines that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service.

If we do not hear from you within the time specified, this will become our to all determination. In that event, appropriate State officials will be notified of this action in accordance with the provisions of section 6104(c) of the Code.

We have sent a copy of this letter to your representative as requested in your power of attorney.

Sincerely,

Exempt Organia

Exempt Organizations Rulings and Agreements

Enclosures: 3

Enclosure I Publication 892 Form 6018



FACTS

You were incorporated in the State of

Your activities include the following; Networking with local businesses (35% of your time), Small business development training (45% of your time), and Marketing/Advertising (20% of your time).

You were formed to foster growth, promote business, attract and retain customers and improve the community. You accomplish your purposes by forming a membership coalition which includes business owners, property owners, and people who live in the community. You hope to assist youth in the community by conducting safe activities such as sports camps, entrepreneur seminars, and tutorial classes. You hope to offer all of the above activities free of charge.

You indicate that businesses and individuals joining your association enjoy the following benefits:

- a) Inclusion in the Marketing Brochure
- b) Inclusion in promotional activities for events on Street
- c) Opportunity to participate in Co-op advertising as a small business cluster You have indicated that since advertising or marketing services are very expensive, cooperative advertising provides better marketing packages at a more reasonable price to the business community.
- d) Opportunity to get assistance and information on small business funding. Training consultants are provided free of charge to members through your partnership with the You will work with the to help businesses obtain micro-loans.
- e) Opportunity to apply for funding through the façade improvement program.
- f) Opportunity to network and assist in forming a safe community for families that live on Street.

Though you plan to conduct fundraisers, your budgets indicate that most of your income will be received from member dues. Your future fundraising plans include mail-outs, car washes, donations, and an annual banquet. Your expenses include professional fees and occupancy expenses. Approximately to f your budget is allocated for advertising and marketing services for your members.

Your membership is limited to business owners, property owners, and friends of Your membership application form indicates that your mission is to foster growth, promote business, attract and retain customers and improve the community.

Your bylaws state that you are organized for the following purposes:

- a) To enhance the business climate of the area by establishing and main aining an open line of communication between business owners, government agencies and other neighborhood associations.
- b) To provide an open process by which the Street business owners may involve themselves in the affairs of the neighborhood.
- c) to do ar perform all of the activities related to said purposes, to have _ i enjoy all of the powers granted and engage in any _ unlawful activity for which corporations may be organized.
- d) To be organized exclusively for educational, scientific, and charitable purposes.

The boundaries of your property association are Avenue and Avenue. Street is seven blocks long and includes businesses. Your brochure indicates that Street is one of the most vibrant neighborhood commercial strips in the city of

LAW:

Section 501(c)(3) of the Code provides for the exemption from federal income tax of organizations organized and operated exclusively for charitable purposes.

Section 1.501(c)(3)-1(a)(1) of the Income Tax Regulations states that, in order to be exempt as an organization described in section 501(c)(3) of the Code, an organization must be both organized and operated exclusively for one or more of the purposes specified in such section. If an organization fails to meet either the organizational test or the operational test, it is not exempt.

Section 1.501(c)(3)-1(c)(1) of the Regulations provides that an organization will be regarded as "operated exclusively" for one or more exempt purposes only if it engages primarily in activities which accomplish one or more of such exempt purposes specified in section 501(c)(3) of the Code. An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose.

Section 1.501(c)(3)-1(c)(2) of the Regulations provides that an organization is not operated exclusively for one or more exampt purposes if its net earnings inure in whole or in part to the benefit of private shareholders or individuals.

Section 1.501(a)-1(c) of the Regulations states that the words "private shareholder or individual" mean an individual having a personal and private interest in the activities of the organization.

Section 1.501(c)(3)-1(d)(1)(ii) of the Regulations states that an organization is not organized or operated exclusively for one or more exempt purposes unless it serves a public rather than a private interest. Thus, to meet the requirement of this subdivision, it is necessary for an organization to establish that it is not organized or operated for the benefit of private interests such as designated individuals, the creator or his family, shareholders of the organization, or persons controlled, directly or indirectly, by such private interests.

Section 1.501(c)(3)-(1)(e) of the Regulations provides that an organization may meet the requirements of section 501(c)(3) although it operates a trade or business as a substantial part of its activities, if the operation of such trade or business is in furtherance of the organization's exempt purpose or purposes and if the organization is not organized or operated for the primary purpose of carrying on an unrelated trade or business, as defined in section 513.

Section 513 of the Code provides that the term "unrelated trade or business" means any trade or business the conduct of which is not substantially related to the exercise or performance by an organization of its charitable, educational, or other purpose or function constituting the basis for its exemption under section 501, except that such term does not include any trade or business:

- a) in which substantially all the work in carrying on such trade or business is performed for the organization without compensation, or
- b) Which is carried on, in the case of an organization described in section 501(c)(3), primarily for the convenience of its members, students, patients, officers, or employees, or
- c) Which is the selling of merchandise, substantially all of which has been received by the organization as gifts or contributions.

Enclosure I

Better Business Bureau of Washington D.C., Inc. v. United States, 326 U.S. 279 (1945), held that the presence of a single nonexempt purpose, if substantial in nature, will preclude tax exemption under section 501(c)(3) of the Code.

In International Postgraduate Medical Foundation v. Commissioner, TCM 1989-36 (1989), the Tax Court considered the qualification for exemption under section 501(c)(3) of the Code of a nonprofit corporation that conducted continuing medical education tours. The petitioner had three trustees. Mr. Helin, who was a shareholder and the president of H & C Tours, a for profit travel agency. Mr. Regan, an attorney, and a third director who was ill and did not participate. Mr. Helin served as executive director. The petitioner used H & C Tours exclusively for all travel arrangements. There is no evidence that the petitioner ever sought a competitive bid. The Court found that a substantial purpose of the petitioner was benefiting the for-* profit travel agency. It concluded that:

"When a for-profit organization benefits substantially from the manner in which the activities of a related organization are carried on, the latter organization is not operated exclusively for exempt purposes within the meaning of section 501(c)(3) even if it furthers other exempt purposes.

that a substantial purpose of petitioner's operations was to increase the income of H & C Tours. H & C Tours benefits from the distribution and production of brochures which solicit customers for tours arranged by H & Approximately 90 percent of petitioner's total revenue for 1977 expended was on production distribution of brochures. The terms of the Travel Service and Administrative Support Agreement further insured that H & C Tours would substantially benefit from petitioner's operations. Petitioner did not solicit competitive bids from any travel agency other than H & C Tours."

In est of Hawaii v. Commissioner, 71 T.C. 1067 (1979), several forprofit est organizations exerted significant indirect control over est of Hawaii, a nonprofit entity, through contractual arrangements. The Tax Court concluded that the for-profits were able to use the nonprofit as an "instrument" to further their for-profit purposes. Neither the fact that the for-profits lacked structural control over the organization nor the fact that amounts paid to the for-profit organizations under the contracts were reasonable affected the court's conclusion that est of Hawaii did not qualify as an organization described in section 501(c)(3) of the Code.



In American Campaign Academy v. Commissioner, 92 T.C., 1053 (1989), the Tax Court was called on to decide whether benefits to third parties, who were not members of the petitioner, would prevent the petitioner from being recognized as an exempt organization within the meaning of section 501(c)(3) of the Code. As its primary activity, the Academy operated a school to train individuals for careers as political campaign professionals. The Tax Court found that the Academy conducted its educational activities with the partisan objective of benefiting Republican candidates and entities. The Tax Court concluded that the Academy operated to confer a substantial private benefit on Republican entities and candidates. The Court stated thac the requirement that the petitioner not be operated for the benefit of private interests is applicable notwithstanding the Service's concession that no portion of the petitioner's net earnings inured to the benefit of private shareholders or individuals. Also important to the ruling was that prohibited private interests include those of unrelated third parties. The Court held that the petitioner's activities benefited private interests more than incidentally and that this substantial nonexempt purpose was grounds for revocation of the Academy's exemption.

Benedict Ginsberg and Adele W. Ginsberg v. Commissioner, 46 T.C. 47 (1966) held that a nonprofit corporation formed to dredge a navigable waterway fronting the properties of its members was not charitable, but was serving a private purpose. The waterway was little used by the general public but its navigability greatly affected the values of members' properties. Also, evidence showed that the "contributions" came solely from members and were proportionate to the value of their property.

Revenue Ruling 61-170, 1961-2 CB 112, held that an association composed of professional private duty nurses and practical nurses which supports and operates a nurses' registry primarily to afford greater employment opportunities for its members is not entitled to exemption from Federal income tax under section 501(a) of the Internal Revenue Code of 1954 as an organization described in section 501(c)(3) of the Code.

Rev. Rul. 64-108, 1964-1 C.B. 189 held that the establishment and operation of a public off-street parking facility in a central business district did not qualify for tax exemption under section 501(c)(3), or 501(c)(4). In this case, the organization was formed by a group of merchants who wanted to provide free parking to their customers while they shopped. The merchants' set-up a free parking validation stamp system where customers could present parking vouchers to participating merchants and obtain parking stamps. The names of the participating merchants were printed on the vouchers and on signs at the parking facility. This parking arrangement was found to serve the private interests of the merchants by encouraging the public to



patronize their stores. Although there was some public benefit served by the construction and operation of the parking lot, it could not be said to be operated exclusively for charitable purposes.

Revenue Ruling 69-175, 1969-1 CB 149 held that a nonprofit organization formed by parents of pupils attending a private school, that provides school bus transportation for its members' children serves a private rather than a public interest and does not qualify for tax exemption under section 501(c)(3) of the Code.

Rev. Rul. 69-632, 1969-2 C.B. 120 held that a non profit association composed of the members of a particular industry and formed to develop new and improved uses for the existing products of the industry benefited its members rather than the public. The association's research program enabled its members to increase their sales by creating new uses and markets for their products. Accordingly, the organization did not qualify for tax exemption under section 501(c)(3).

Revenue Ruling 71-395, 1971-2 C.B. 228 held that a cooperative art gallery formed and operated by a group of artists for the purpose of exhibiting and selling their works does not qualify for exemption under section 501(c)(3).

Revenue Ruling 77-111, 1977-1 C.B. 144 held that an organization formed to increase business patronage in a deteriorated area by providing information on the area's shopping opportunities, local transportation, and accommodations is not operated exclusively for charitable purposes and does not qualify for exemption under section 501(c)(3) of the Code.

Section 501(c)(6) of the Internal Revenue Code of 1986 provides for exemption from Federal Income Tax of business leagues not organized for profit, no part of the net earnings of which inures to the benefit of any shareholder or individual.

Section 1.501(c)(6)-1 of the Income Tax Regulations states, in part: "A business league is an association of persons having some common business interest, the purpose of which is to promote such common interest.... It is an organization of the same general class as a chamber of commerce or board of trade. Thus, its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons."

Revenue Ruling 56-84, 1956-1 CB 201 held that an organization operated primarily for the purpose of promoting, selling, and handling the national advertising in its members' publications, was engaged in the performance of particular services for individual members as



distinguished from activities for the improvement of the business conditions of its members as a whole and, therefore, was not entitled to exemption from Federal income tax as a business league under section 501(c)(6) of the Code.

Revenue Ruling 59-234, 1959-2 CB 149 held that a real-estate board whose primary purpose or activity is the operation of a multiple-listing system is considered to be rendering particular services for its members and is not exempt from Federal income tax as an organization described in section 501(c)(6) of the Code.

Revenue Ruling 64-315, 1964-2 CB 147 held that an association of merchants whose businesses constitute a shopping center expends its funds and engages exclusively in advertising which includes the names of member merchants and their merchandise in order to attract customers to the shopping center is not entitled to exemption from Federal income tax as an organization described in section 501(c)(6) of the Code.

Revenue Ruling 65-14, 1965-1 CB 236 held that an organization formed to promote the tourist industry in its area and whose principal activity is the publication of a yearbook consisting largely of paid advertisements for its members is not entitled to exemption from Federal income tax under section 501(c)(6) of the Code.

Revenue Ruling 67-77, 1967-1 CB 138 held that an organization composed of dealers in a certain make of automobile in a designated area, which was organized and operated for the primary purpose of financing general advertising campaigns to promote, with funds contributed by the members, the sale of that make of automobile is not entitled to tax exemption under section 501(c)(6) of the Code as a business league. The organization was held to be performing services for its members by advertising the make of automobile sold by its members.

Revenue Ruling 76-409, 1976-2 CB 154 held that a nonprofit organization of individuals in the business of furnishing finance adjusting services, which assigns exclusive franchise areas to its members and publishes and distributes to their potential customers a directory containing members' names and addresses, is performing particular services for its members and does not qualify for exemption under section 501(c)(6) of the Code.

APPLICATION OF LAW:

Section 501(c)(3) of the Code sets forth two main tests for qualification for exempt status. An organization must be both organized and operated exclusively for purposes described in section



501(c)(3). You have satisfied the organizational test.

To satisfy the operational test, you must be operated exclusively for one or more exempt purposes. You will not be "operated exclusively for one or more exempt purposes" as set forth in sections 1.501(c)(3)-1(d)(1)(ii) and 1.501(c)(3)-1(e)(1), unless the cooperative marketing, networking, and advertising services you provide to Freret Street businesses and property owners is in furtherance of a 501(c)(3) purpose and neither constitutes the carrying on of an unrelated trade or business nor serves the private interests of designated individuals.

Our understanding is that 55% of your time is spent providing marketing, advertising, and networking services to business and property owners on Street. In addition, approximately 35% of your funding is allocated for advertising and marketing expenses. Providing marketing, networking and advertising services for a fee on a regular basis is not an activity that is inherently charitable; it is not conducted for purposes benefiting a charitable class of individuals. Such activities are normally carried on by for-profit organizations and they serve the private interests of designated individuals. These activities are generally conducted for the primary purpose of carrying on an unrelated trade or business as defined in section 513 of the Code.

Better Business Bureau of Washington D.C. v. United States, 326 U.S. 279 (1945) held that a single nonexempt purpose, if substantial, would preclude tax exemption under section 501(c)(3) of the Code. Your organization's primary activity is providing cooperative marketing, advertising, and business networking services to business and property owners. These services further a commercial purpose and benefit the private interests of a group of designated individuals. As a result, tax exemption under section 501(c)(3) is precluded.

You are similar to the organization described in <u>International</u>
Postgraduate Medical Foundation v. Commissioner, supra, because you are operated for the substantial purpose of promoting the private interests of business and property owners located on Street which bars tax exemption under section 501(c)(3).

In order for private benefit to be present it is not required that payments for advertising, marketing and other commercial services on behalf of the business and property owners of Street be unreasonable or exceed fair market value. In est of Hawaii, the Tax Court stated:

"Nor can we agree with petitioner that the critical inquiry is whether the payments made to International were reasonable or

excessive. Regardless of whether the payments made by petitioner to International were excessive, International and EST, Inc., benefited substantially from the operation of petitioner."

You are similar to the organization described in American Campaign Academy v. Commissioner, 92 T.C. 1053 (1989), because you are providing a substantial benefit to business and property owners on Street. Like the American Campaign Academy, your activities benefit private interests note than incidentally and this substantial nonexempt purpose precludes tax exemption under section 501(c)(3) of the Code.

You are similar to the organization described in Benedict Ginsberg and Adele W. Ginsberg v. Commissioner, 46 T.C. 47 (1966) because you are conducting activities that directly benefit private interests. You do not meet the requirements for tax exemption under section 501(c)(3) of the Code because you are providing a substantial private benefit to the business and property owners on Freret Street rather than serving the public interests of the community.

You are similar to the organization described in Rev. Rul. 61-170, 1961-2 C.B. 112 because you are providing services to further the private interests of Street business and property owners.

You are similar to the organization described in Rev. Rul. 64-108, 1964-1 C.B. because you are providing cooperative networking, marketing and advertising services to Street business and property owners. Like the organization described in the ruling, though your activities do provide some public benefit to the community, you are not operated exclusively for charitable purposes.

You exhibit similar characteristics to the organization described in Rev. Rul. 69-175 1969-1 CB 149 because you are providing commercial services on a cooperative basis to private businesses and property owners on Street. Like the organization described in this ruling, you do not mech the requirements for tax exemption under section 501(c)(3) of the Code because you are serving private rather than public interests.

You are similar to the organization described in Rev. Rul. 69-632, 1969-2 C.B. 120 because your networking, advertising, and marketing services are operated primarily to further the private interests of Street business and property owners rather than to further purely public interests. Like the organization described in the Rev. Rul, you do not meet the requirements for tax exemption under section 501(c)(3)

You are similar to the organization described in Rev. Rul. 71-395, 1971-2 C.B. 228 because you are also engaged in providing cooperative services to private individuals. The ruling held that a cooperative gallery did not meet the requirements for tax exemption under section 501(c)(3) because it served the private interest of the artists whose works were displayed and sold therein. Likewise, you do not meet the requirements for tax exemption under section 501(c)(3) because you are providing cooperative networking, marketing and advertising services to Street business and property owners.

You are very similar to the organization described in Rev. Rul. 77-111, 1977-1 C.B. 144 because you are also formed to increase business putronage in a particular area by providing information on the area's commercial businesses. The organization described in the ruling was operated in a deteriorated area. There is no evidence in the file to indicate that you are operated in a depressed area. On the contrary, your brochure points out that

Street is one of the most vibrant neighborhood commercial strips in the However, even if you were operating in a depressed area, you are similar to the organizations described in both situations 1 and 2 of the ruling because your primary purpose is to promote business rather than to accomplish exclusively 501(c)(3) purposes. In addition, your activities result in major benefits accruing to the businesses and property owners located on Street. The end result, like those of the organizations described in the ruling, is that your activities are directed to benefit the businesses and property owners located on Street rather than to accomplish exclusively 501(c)(3) purposes. As a result, you do not meet the requirements for tax exemption under section 501(c)(3).

You originally applied for recognition of tax exemption under section 501(c)(3). However, you later agreed to request tax exempt status under section 501(c)(6).

To qualify for tax exemption under section 501(c)(6), your activities must be directed at the improvement of one or more lines of business rather than the performance of particular services for individual persons. Based on the information submitted to date, we hold that you do not qualify for tax exemption under section 501(c)(6) of the Code because you are performing particular services for Street business and property owners rather than promoting the common economic interests of all commercial enterprises in your trade community.

You exhibit similar characteristics to the organization described in Revenue Ruling 35 84, 1956-1 C.B. 201 because you are substantially involved in cooperative advertising, marketing, and business networking for Street businesses and property owners. Like the organization described in the ruling, you are substantially engaged in

the performance of particular services for individual businesses as distinguished from promoting the common economic interests of all commercial enterprise in your trade commity.

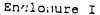
You are similar to the organization described in Revenue Ruling 59-234, 1959-2 C.E. 149 because you are providing occuperative advertising, marketing, and business networking to Street businesses and property owners. The organization described in the ruling did not qualify for tax exemption under section 501(c)(6) because the operation of their multiple-listing system was considered to be rendering particular services to members. Likewise, your cooperative marketing, advertising and business networking services for Street business and property owners constitutes the performance of particular services for this designated class of individuals.

You are very similar to the organization described in Revenue Ruling 64-315, 1964-2 C.B. 147. The organization described in this ruling failed to qualify for tax exemption under section 501(c)(6) because its cooperative advertising services which were provided to rember merchants of a particular shopping center were deemed to constitute particular services. You are conducting the same cooperative advertising and marketing pervices for Street business and precry owners. As indicated in the ruling, such services constitute the performance of particular services for designated individuals and preclude tax exemption under section 501(c)(6).

You bear similarities to the organization described in Revenue Ruling 65-14, 1965-1 C.B. 236 because you are substantially engaged inproviding marketing, advertising, and business networking services to business and property cymers.

You are similar to the organization described in Revenue Ruling 67-77, 1967-1 CB 138 because you are substantially involved in providing cooperative advertising and marketing services for your members. In accordance with the ruling, these cooperative services constitute the performance of particular services and preclude tax exemption under section 501(c)(6).

Finally, you are similar to the organization described in Revenue Ruling 76-409, 1976-2 CB 154 because like the organization described in the ruling, you are providing particular services to Street business and property owners. This activity bars tax exemption under section 501(c)(6).



TAXPAYER'S POSITION

Your letter dated outlines your position with regard to qualification for tax exemption under section 501(c)(3) of the Code. You state that 75% of your clients are just starting out and caunot afford to pay your fees and therefore you are a charitable organization which assists low-income businesses, single parent families and persons who, without your assistance, would not be able to succeed in their businesses. You further state that you assist these businesses with marketing, training and any other needs they may have.

You argue that you qualify for tax exemption because you are a charitable organization that does not make a profit for doing what you do. In addition to business assistance services, you sponsor youth entrepreneur training, and hold an annual festival for

Ultimately, you feel that you meet the requirements for tax exemption under section 501(c)(3) because you are helping single parent families, individuals who were previously on welfare or incarcerated etc... By providing assistance to these individuals, you state that you are also helping the youth of the community. You state that you give hope to the businesses and property owners on Street and with

IRS POSITION

Your letter dated , asserts that you qualify for tax exemption under section 501(c)(3) because you are providing your business networking, marketing and cooperative advertising services to low-income businesses. In your letter dated state that 35% of your funding is allocated to advertising and marketing expenses for the businesses located on Further, your letter dated indicates that 55% of your total time is devoted to networking with local businesses and providing marketing and advertising services to these businesses. , indicates that advertising and marketing is very expensive especially for the average small business. By advertising as a coop you are able to get better marketing packages which provide better commercials and marketing tools for the entire business community. Your brochure indicates that of the most vibrant neighborhood commercial strips in the city of

You argue that your organization is providing a charitable service to the community by providing business networking, marketing and cooperative advertising services to business and property owners on We disagree. You have submitted no information to

date which substantiates your claim that your activities are limited to a charitable class of individuals. Further, you have submitted no documentation which indicates that you are operating in a blighted or distressed area. Even if the aforementioned claims were substantiated and you were working with a limited charitable class of individuals and/or you were working exclusively in a blighted or distressed area, you would still be precluded from qualifying for tax exemption under both sections 501(c)(3) and 501(c)(6) because you are providing particular commercial services to your members which results in substantial private benefit. See Rev. Rul. 77:111, 1977-1 C.B. 144, which held that an organization formed to increase business patronage in a deteriorated area by providing information on the area's shopping opportunities, local transportation and accommodations is not operated exclusively for charitable purposes under section 501(c)(3).

You are essentially providing commercial services to businesses located on the fact that some of the businesses are not paying for your services at this time does not change the business nature of your activities. In addition, the fact that your are currently only receiving fees for your commercial services from 25% of the businesses listed on does not take away from the fact that your business networking, marketing and advertising services are unquestionably commercial in nature. Further, the provision of these services confers a private benefit on these businesses. As a result, you are precluded from meeting the requirements for tax exemption under section 501(c)(3) and section 501(c)(6) of the Code.

Conclusion

I used on the facts presented above, we hold that your organization does not meet the requirements for tax exemption under sections 501(c)(3) and 501(c)(6) of the Code.

Your organization is engaged to a substantial degree in providing particular services to business and property owners on Your particular services, which include business networking, marketing and advertising services, do not further an overall charitable purpose and they do not serve to improve the overall business conditions of one or more lines of business. Rather, your commercial services serve to promote the private interests of your members. As a result, your organization neither qualifies for tax exemption under section 501(c)(3) nor 501(c)(6) of the Code.

(Rev. August 1983)	Consent to Proposed Adverse Action (All references are to the Internal Revenue Code) Prepare in Duplicate				
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		•	Date of Latest Determina	tion Letter	
Employer Identification Number		· · · · · · · · · · · · · · · · · · ·	Date of Proposed Advers	Action Latter	
Name and Address of Organization	1				
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I consent to the proposor understand that if Section 74 (3), etc. applies, I have the right				y the box(es) c on of Organizat	hecked below. I ions :inder Section 501 (c)
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· ·	NA NA	TURE OF AD	VERSE ACTION		. G
Denial of exemption					
Revocation of example	ion, effective				
Modification of exemp	t status from section 50)1 (c)() to 501	(c) (), effective		
Classification as a priv	rate foundation (section	509(a)), effecti	ve		
Classification as a non	operating foundation (section 4942(j)(3)), effective		
Classification as an org	ganization described in	section 509(a)(), effective		
Clausification as an org	anization described in :	section 170(b)(1	1)(A)(), effective		
you agree to the adverse action					
you sign this consent before yent under section 7428.	ou have exhausted you	ır administrative	appeal rights, you may	lose your right	s to a declaratory judg-
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	(Signature inst	tructions are on	the back of this form.)		
te of Organization			*		
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Cat. No. 430000

Form 6018 (Rev. 8-1983)